



Director of
Central
Intelligence

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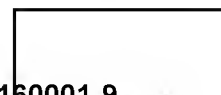
National Intelligence Daily

Thursday
25 January 1979

State Dept. review completed

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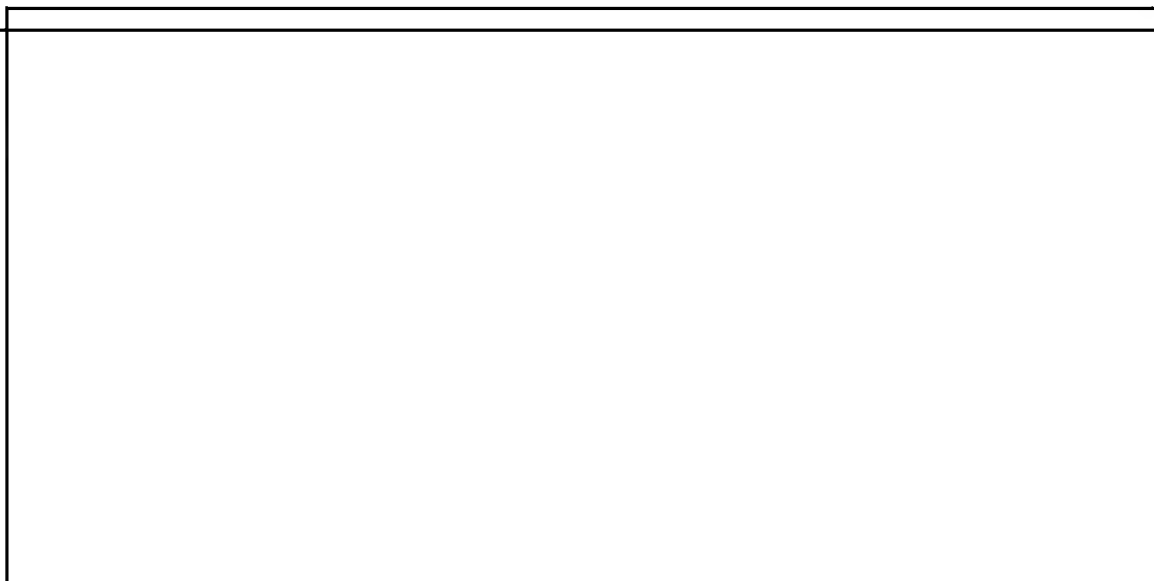
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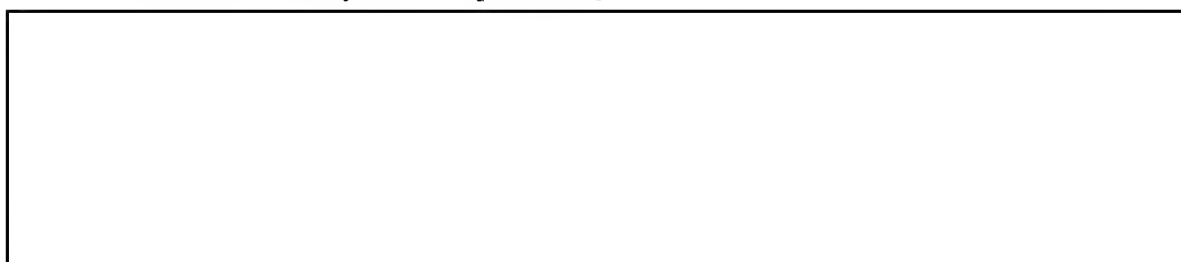
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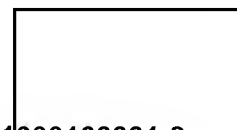
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POLAND: Defense Spending

The official Polish budget for 1979 shows an increase in defense expenditures of 5 percent over the 1978 budget. The budget for the armed forces probably will increase by 4.4 percent, with the remainder going for investments in defense industries. This contradicts a Western press report earlier this month that indicated the Poles planned to increase defense spending in 1979 by only 2.6 percent, slightly above Poland's current inflation rate.

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

Iran

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Egyptian President Sadat confirmed to Ambassador Eilts last night that he has invited the Shah to return to Egypt and that the Shah plans to do so. Sadat understands that the Shah will arrive in a day or two.

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We cannot confirm press reports that Prime Minister Bakhtiar has requested Ayatollah Khomeini to delay his return to Iran and that Khomeini has agreed.

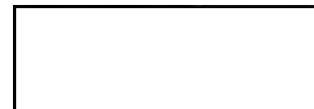
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Italy

According to press reports, Communist chief Berlinguer and Christian Democratic Party Secretary Zaccagnini agreed yesterday to call a meeting later this week of the five parties that support the Andreotti government in order to discuss the government's future.

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South Korea - North Korea

The US Embassy in Seoul reported yesterday that the South Korean Government apparently has decided to accept the first three conditions the North Koreans posed for a meeting of representatives of political parties and mass organizations. The South Koreans will propose a meeting of governmental authorities by 1 February or earlier. The Embassy noted that the South Koreans have narrowly defined the North's condition concerning a cessation of military activities to mean a cessation of such activities along the Demilitarized Zone. It pointed out that this position impinges on the authority of the commander of the UN Command. The Embassy also commented that the South Korean timetable suggests that the government will only advise and not consult the US.



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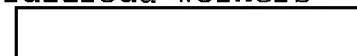
UK

The US Embassy in London reports that Prime Minister Callaghan, faced with general labor unrest and required to submit a budget in April implementing the Labor Party's economic strategy, will probably call a general election sometime before mid-April. The Embassy notes that in the meantime Callaghan must strive to avoid a confrontation with the unions and maintain the cohesion of his party, despite his diminished credibility and popularity.



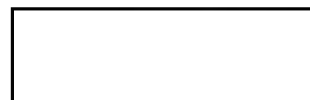
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According to press reports, Home Secretary Rees suggested in Parliament last night that the government might soon have to intervene directly in the labor strikes by calling out the armed forces. Layoffs caused by the truckers' strike continue to mount, and railroad workers will stage another 24-hour strike today.

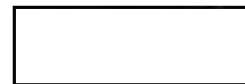


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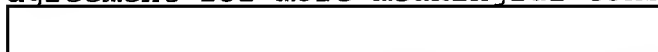
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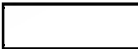



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Mexico


The US Embassy in Mexico City reports that President Lopez Portillo hopes President Carter's visit early next month will result in greater US appreciation of Mexico's importance and increased US attention to the Mexican view of policies that affect both countries. Lopez Portillo is particularly interested in establishing agreement for more meaningful consultation on key issues.



On specific issues, the Embassy believes Lopez Portillo will:

- Express hope that the US will not alter significantly the flow of Mexican workers to the US in the next several years. 
- Say that Mexico would be doing the US a favor if it were to assure energy supplies at prevailing current prices. 
- Seek a commitment to liberalize policies on US imports from Mexico. 
- Point to Mexico's contribution to successful efforts to stem narcotics traffic and imply that the effort merits US concessions in other areas. 

Turkey

According to the US Embassy, Prime Minister Ecevit has refused to accept the resignation of Justice Minister Can. The minister attempted to resign on Tuesday after many in his party criticized him for his handling of recent prison escapes and rioting last fall. The Embassy comments that this latest incident has rekindled rumors of an impending cabinet shuffle, possibly in March. 




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